

GUIDE TO UNDERSTANDING PROPERTY TAXES IN WEST VIRGINIA

Despite their importance in funding constitutional and essential functions of government, property taxes are often misunderstood by many citizens and even some lawmakers. The system is a complex one, with multiple governing bodies raising revenue through a variety of levies on property.

In West Virginia, property taxes help fund the following services: 1) 704 public schools in 55 school districts; 2) 179 public libraries; 3) state, county, and municipal police officers; 4) public parks; and 5) services provided by all 55 county governments and 232 municipal governments including elections, fire protection, criminal prosecutions, maintenance of property records, operation of regional jails, planning, parks and recreation, and ambulance and 911 service. Although all property taxes are paid at the Sheriff's Tax Office regardless of which body is responsible for levying the taxes, only a fraction of that money is used to fund county government functions while the rest is disbursed to other local levying bodies.

I. Classification of Property

There are four property tax classifications in West Virginia. Class I property is comprised of personal property used in agriculture. Due to a series of exemptions dating back to 1946, all Class I property is exempt from taxation in West Virginia.

Class II is what most people think of when they think of property. It is comprised of owner-occupied residences and farm real estate. Individuals over the age of 65 or residents who are permanently disabled are eligible to apply for and receive a Homestead Exemption on Class II property. The Homestead Exemption exempts \$20,000.00 of the total assessed value from taxation.

Class III and IV properties are comprised primarily of property used for business, although personal vehicles are also included in these classifications. Class III are those properties that lie outside a municipal boundary and Class IV are those within a municipality. Both real and personal business property are subject to the property tax in West Virginia. Real property includes land, structures, and certain equipment attached to structures. Personal property includes furnishings, inventory, machinery, equipment, fixtures, supplies, and tools.

II. How Taxes are Levied

Both real and personal property are appraised at their true and actual market value. However, taxpayers pay taxes on the assessed value of a property, which value is 60% of the appraised value. Then the assessed value is multiplied by the levy rate to determine the amount of tax to be remitted. The combined maximum levy rate for counties, cities, schools, and the state is set by the West Virginia Constitution at 50 cents for class I, \$1 on class II and \$2 on class 3 and 4. WV code sections 11-8-6(b) (c) and (d) dictate the division for counties, cities, schools and state. Per one hundred dollars, counties' maximum levy rate is 28.6 cents for class

II and 57.2 for class III and IV. There are 35 counties in the state currently at the maximum levy rate. Jefferson County is not one of those counties. From 1972-1992, Jefferson County was at the maximum levy rate and has not returned to the maximum levy rate since 1992.

It is important to note that 40% of all property taxes come from voter-approved excess levies and are above and beyond the constitutional maximum levy. Boards of Education can impose an excess levy for up to five years with the approval of 50% of the voters. In addition to excess levies for education imposed by a county board of education, counties and municipalities may also impose their own excess levies for a variety of services. In order for a county or municipality to impose such a levy, it must be approved by 60% of the voters in a special levy election and must be voted upon every 5 years. Several counties have adopted excess levies to fund a variety of county services including but not limited to fire and EMS service. Jefferson County currently has a school excess levy in effect but has not adopted any county excess levies.

There are several levying bodies that levy county property taxes including county boards of education, municipalities, and the state. The Legislature controls the regular school levy rate while the Board of Education is responsible for setting the school excess levy. The County Commission is responsible for, and only has control of, the county portion of the levy including any county excess levies that have been adopted by the voters.

III. How Property Taxes are Distributed

As mentioned earlier, a taxpayer remits his entire tax bill to the Tax Office of the County Sheriff. Although property taxes are a counties' primary source of revenue, schools receive the major portion of taxes with the municipalities and state also receiving a small allotment. After the revenue is distributed, counties are left with a statewide average of approximately 25% of collected tax revenue with which to run county government and provide county services. In Jefferson County, the county retains a little less than 24% of the total collected tax revenue. Despite retaining only a quarter of the taxes collected, counties are entirely responsible for the costs of appraisal, assessment, and collection of taxes.

IV. Calculating the Levy Rate and Understanding the "Roll Back" Provision

The manner in which the levy rate is calculated is complex and difficult to understand. Additionally, in Jefferson County, there has been some misinformation concerning levy rate calculations. Counties are prohibited from collecting more than 101% of the revenue collected in the prior year. The levy rate calculation is tied into the aggregate value of property as determined by the Assessor. Pursuant to W.Va. Code § 11-8-6(b)(3), a county commission is required to make a reduction in the regular current expense levy rate when the appraisal of property value results in a tax increase of more than 101% of the prior year projected property tax revenue. Additionally, a county commission is permitted to increase the 101% by a percentage equal to the percent approved by the Property Valuation and Training Commission

(PVTC) for the Assessor’s Valuation Fund. This percentage cannot exceed 2%. Generally, the amount approved by the PVTC is 2%. Accordingly, the rate of levy should produce no more than 103% of the previous year’s projected property tax revenues. Increases in value that result from the assessor appraising and assessing any new property or improvements are not required to be included in the calculation of the reduced levy rate.

Understanding that a county commission is only permitted to receive 101% of the prior year’s projected revenues is essential to understanding the manner in which the levy rate is calculated and why it changes each year. The roll back provision was intended to reduce the levy rate to account for an increase in property values. However, it can also have the opposite effect of increasing the levy rate if property values decline. Many citizens believe that the 101% roll back provision results in a higher rate of taxation for citizens every year. This is simply not the case, and in fact, for several years in Jefferson County, the roll back provision operated to reduce the levy rate on an annual basis. For many years, Jefferson County had one of the lowest county levy rates in the state. In recent years, the roll back provision has resulted in an increase in the levy rate, but it is likely that for the upcoming 2017 fiscal year, it will result in a decrease. It is also important to note that last year, the County Commission voted to forgo collecting the additional 1 percent, thereby avoiding an increase in the levy rate. The following chart illustrates the effect the roll back provision has had on the county portion of the levy rate in Jefferson County:

YEAR	CLASS II LEVY RATE	TOTAL ASSESSED VALUE OF ALL PROPERTY CLASSES
2006	0.2398	\$2,116,420,330.00
2007	0.1916	\$3,055,228,000.00
2008	0.1774	\$3,590,907,770.00
2009	0.1856	\$3,519,139,920.00
2010	0.2192	\$3,004,886,010.00
2011	0.2408	\$2,809,704,420.00
2012	0.2618	\$2,662,817,740.00
2013	0.2750	\$2,630,621,360.00
2014	0.2808	\$2,707,207,020.00
2015	0.2838	\$2,793,636,010.00

As the chart demonstrates, when there is a dramatic increase in assessed values, there is a corresponding decrease in the levy rate due to the roll back provision. Conversely, the levy rate increases as property values decrease beginning in 2009. From 2006 to 2014, the Commission continued to collect 101% of the prior year’s revenues. In 2015, the Commission collected only 100% of the prior year’s revenue. It also significant to note the dramatic increases in total assessed value from 2006-2007. In that year, the assessed value of all property increased by almost 939 million dollars. Because taxes are assessed a year in arrears, these values represent the value of property from 2005-2006. These figures do not include any new construction that was added in those years.

A county commission is permitted to increase the calculated levy rate with a public hearing, but the rate may not exceed a 10% increase plus a percentage for the Assessor's Valuation Fund or 112% in any given year nor may it exceed the statutory maximums. If the County Commission decides to increase the levy rate, it must conduct a public hearing with notice of the hearing published as a Class II-O legal advertisement for once a week for two consecutive weeks. The County Commission is required to provide the following information in the Notice of Proposed Tax Increase: 1) percent of appraisal assessment increase; 2) the lowered rate necessary to offset increased assessments; 3) effective rate increase; 4) revenue produced last year; 5) revenue projected under the effective rate increase; 6) revenue projected from new property improvements; 7) general areas to which revenue will be allocated. Jefferson County has held a public hearing to increase the levy rate but has never actually increased the rate beyond the one percent.

V. Comparison of Jefferson County's Levy Rate

Many residents have been proclaiming that Jefferson County taxpayers pay the highest property taxes in the state of West Virginia. This simply isn't the case. In 2014, there were 18 counties with levy rates higher than Jefferson County's. As such, in 18 counties, taxpayers pay more per \$100.00 of assessed value than Jefferson County residents. Additionally, considering only the county portion of the levy rate, there are 35 counties that have reached their maximum levy rate, and by definition pay a higher county portion of taxes than Jefferson County, which is not at its maximum levy rate. Counties with a levy rate higher than Jefferson County's include neighboring Berkeley County, Boone, Brooke, and Cabell to name a few.

VI. Comparison of West Virginia to Other States

West Virginia has one of the lowest property taxes in the country. The state ranks 45th in per capita property taxes. Residents also pay a smaller percentage of their personal income toward property taxes.